

Message Text

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TO AMEMBASSY LA PAZ IMMEDIATE

AMEMBASSY BANGKOK PRIORITY

AMEMBASSY CANBERRA PRIORITY

USMISSION GENEVA PRIORITY

AMEMBASSY JAKARTA PRIORITY

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TAGS: EMIN, ITC, BL, UK

SUBJECT: ASEAN MISSION TO BOLIVIA

1. BEGIN SUMMARY. MALAYSIAN MINISTER OF PRIMARY INDUS-
TRIES MUSA HITAM HEADED AN ASEAN MISSION WHICH VISITED
WASHINGTON FEBRUARY 16-18 IN PREPARATION FOR THEIR VISIT
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TO BOLIVIA TO ATTEMPT TO CONVINCE THE BOLIVIANS TO RATIFY
THE FIFTH ITA. IN CONVERSATIONS WITH ASSISTANT SECRETARY
FOR ECONOMIC AND BUSINESS AFFAIRS JULIUS L. KATZ, A
NUMBER OF POSSIBLE APPROACHES TO THE BOLIVIAN PROBLEM
WERE DISCUSSED. END SUMMARY.

2. THE ASEAN MISSION MET THURSDAY WITH ASSISTANT SECRE-

TARY KATZ TO DISCUSS THE INTERNATIONAL TIN COUNCIL (ITC) AND THE BOLIVIAN PROBLEM. SPEAKING FOR THE MISSION, MINISTER MUSA OPENED THE DISCUSSION BY STATING THAT THE THREE SOUTHEAST ASIAN COUNTRIES IN THE ASEAN MISSION--MALAYSIA, INDONESIA AND THAILAND--ATTEMPT TO TAKE A COORDINATED APPROACH TO COMMODITY POLICY WITHIN THE NORTH/SOUTH DIALOGUE AND UNCTAD'S INTEGRATED PROGRAM BASED ON THEIR SIMILAR INTERESTS AS THE WORLD'S PRIMARY PRODUCERS OF TIN, RUBBER, PALM OIL AND PEPPER. THE ASEAN COUNTRIES VIEW THEMSELVES AS MODERATES WITHIN THE G-77 WHO CAN SERVE AS A BRIDGE BETWEEN THE DEVELOPED COUNTRIES AND THE MORE RADICAL LDCS.

3. MINISTER MUSA SAID THE ASEAN COUNTRIES WERE CONCERNED WITH THE PRESENT CRISIS IN THE ITC FOR TWO REASONS. FIRST, THE TIN AGREEMENT FOR APPROXIMATELY 20 YEARS HAS BEEN RELATIVELY SUCCESSFUL AND HAS SERVED AS A MODEL FOR EFFORTS TO STABILIZE OTHER COMMODITIES, PARTICULARLY RUBBER. THE SOUTHEAST ASIANS, ALL FOUNDING MEMBERS OF THE ASSOCIATION OF NATURAL RUBBER PRODUCERS (ANRPC), WERE ENCOURAGED BY THE RUBBER CONSULTATIONS WHICH TOOK PLACE UNDER UNCTAD AUSPICES LAST MONTH IN GENEVA AND SAW A WILLINGNESS AMONG DEVELOPED COUNTRIES TO CONSIDER A STABILIZATION ARRANGEMENT FOR RUBBER. THE ASEAN COUNTRIES BELIEVE THAT IF THE TIN AGREEMENT COLLAPSES IT COULD AFFECT DEVELOPED COUNTRIES' ATTITUDES TOWARD RUBBER AND OTHER COMMODITY DISCUSSIONS. SECOND, THE ASEAN COUNTRIES BELIEVE THAT, OVER THE LONG TERM, THE INTERNATIONAL TIN AGREEMENT BENEFITS BOTH PRODUCERS AND CONSUMERS. IF IT FAILS NOW, IT WOULD BE EXTREMELY DIFFICULT TO RENEGOTIATE.

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4. MINISTER MUSA EXPLAINED THAT THE MISSION TO LA PAZ WOULD ATTEMPT TO PERSUADE THE BOLIVIANS TO RATIFY THE FIFTH ITA AND WISHED TO CONSULT WITH THE USG ENROUTE TO LA PAZ.

5. MINISTER MUSA SAID HE REALIZES THAT SEVERAL OF THE ISSUES RAISED BY THE BOLIVIANS WERE NOT NEGOTIABLE TO CONSUMERS. THESE INCLUDED MANDATORY BUFFER STOCK CONTRIBUTIONS, REVISION OF THE VOTING SYSTEM, AND INDEXATION OF THE BUFFER STOCK PRICE RANGE. HE THOUGHT THE BOLIVIANS UNDOUBTEDLY REALIZE THIS AND WOULD PROBABLY ACCEPT SOMETHING LESS. HE SAID ONE AREA OF INTEREST TO THE BOLIVIANS WAS THE US ATTITUDE TOWARD A CONTRIBUTION TO THE ITC'S BUFFER STOCK.

6. ASSISTANT SECRETARY KATZ RESPONDED BY OUTLINING US HISTORIC RELUCTANCE TO JOIN COMMODITY AGREEMENTS AND NOTED THAT OUR JOINING THE FIFTH ITA HAD BEEN A SIGNIFICANT DEPARTURE FROM OUR TRADITIONAL POLICY--A DEPARTURE THAT WAS

OPPOSED BY MANY WITHIN THE US GOVERNMENT, CONGRESS AND INDUSTRY. HE SAID ALSO THAT IN THE CONTEXT OF OUR OVERALL REVIEW OF COMMODITY POLICY, US CONTRIBUTIONS TO BUFFER STOCKS IN CERTAIN CASES WOULD BE CONSIDERED. HE NOTED, HOWEVER, THAT EVEN IF THE ADMINISTRATION WERE TO SUPPORT A CONTRIBUTION TO THE TIN BUFFER STOCK IN METAL OR IN CASH CONGRESSIONAL APPROVAL WOULD BE NEEDED. HE ADDED THAT IN VIEW OF THE PRESENT VERY HIGH TIN PRICES, DECLINING PRODUCTION AND BOLIVIAN RELUCTANCE TO RATIFY, US CONTRIBUTION WOULD FACE DIFFICULTY IN CONGRESS.

7. MINISTER MUSA NOTED THAT DURING THE 1975 NEGOTIATIONS FOR THE FIFTH ITA PRODUCERS HAD PROPOSED THAT THE COUNCIL REVIEW THE BUFFER STOCK'S FLOOR AND CEILING PRICE RANGE AT REGULAR INTERVALS,BUT THAT THIS PROPOSAL WAS REJECTED BY CONSUMERS. HE FELT THAT,IN LIGHT OF THE RECENT COUNCIL DEBATES ON PRICES,ALLPRODUCERS AND SEVERAL CONSUMERS BELIMITED OFFICIAL USE

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LIEVE THAT THE COUNCIL SHOULD NOW AGREE TO SUCH PERIODIC REVIEWS. MR. KATZ RESPONDED THAT THE US COULD PROBABLY GO ALONG WITH SUCH A PROPOSAL--IT BEING UNDERSTOOD THAT SUCH REVIEWS WOULD CONSIDER DOWNWARD AS WELL AS UPWARD ADJUSTMENT OF THE PRICE RANGE.

8. MINISTER MUSA SOUGHT MR. KATZ'S VIEWS ON A "SYSTEMATIZED APPROACH" TO THE ADJUSTMENT OF FLOOR AND CEILING PRICES. HE ADDED THAT HE DID NOT MEAN INDEXATION,BUT SOME MORE SYSTEMATIC EXAMINATION OF PRICE ADJUSTMENTS WHICH WOULD PROVIDE A BETTER FOCUS FOR THE WORK OF THE COUNCIL. MR. KATZ STATED THAT IN ANY REVIEW OF PRICE RANGE IT WAS IMPORTANT TO HAVE ADDITIONAL DATA ON PRODUCTION VOLUMES AND IMPROVED DATA ON COSTS OF MINING AND SMELTING TIN. HE ADDED THAT THE US WOULD BE PREPARED TO EXAMINE DIFFERENT APPROACHES TO SYSTEMATIZING THE WORK OF THE COUNCIL,BUT COULD NOT ACCEPT ANY KIND OF INDEXATION.

9. MR. KATZ ALSO EXPRESSED US CONCERN OVER DECLINING TIN PRODUCTION,PARTICULARLY IN MALAYSIA. MINISTER MUSA RESPONDED THAT PRODUCER COUNTRIES WERE ATTEMPTING TO INCREASE THEIR PRODUCTION BUT THAT MALAYSIA'S PROBLEM WAS DUE TO DEPLETING RESERVES OF HIGH GRADE TIN. MR. KATZ COMMENTED THAT MALAYSIA'S HIGH EXPORT TAXES AND SURCHARGES MAY ALSO BE A FACTOR IN DIMINISHING PRODUCTION,TO WHTCH MINISTER MUSA RESPONDED THAT THE "NATIONAL INCOME" DERIVED FROM TAXATION WAS NECESSARY FOR MALAYSIANECONOMIC DEVELOPMENT AND WAS NOT TOO ONEROUS FOR THE INDUSTRY.

10. IN CLOSING, MUSA INDICATED THAT HIS MISSION WAS PLEASED WITH THE OPEN AND HELPFUL APPROACH BEING TAKEN BY

THE US TOWARD THE ITC AND SAID THAT HE WOULD STRESS THIS
POINT IN LA PAZ. HE THOUGHT THE POSITIVE US ATTITUDE
WOULD HELP THE MISSION'S EFFORTS TO PERSUADE THE BOLIVIANS
TO RATIFY THE AGREEMENT.

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11. COMMENT: MINISTER MUSA'S APPROACH WAS LOW-KEY. HE
DID NOT ARGUE THE BOLIVIAN CAUSE NOR DID HE ATTEMPT TO
PLACE THE BLAME FOR THE PRESENT ITC CRISIS ON CONSUMERS.
RATHER, HE SOUGHT TO IDENTIFY AREAS WHERE SOME PROGRESS

COULD BE MADE THAT WOULD INDUCE THE BOLIVIANS TO RATIFY.
OTHER MEMBERS OF THE ASEAN MISSION PLAYED A SUBDUED ROLE
IN THE CONVERSATION AND WHAT COMMENTS THEY DID MAKE WERE
SUPPORTIVE OF MINISTER MUSA'S PRESENTATION.

12. FOR LA PAZ: THE DEPARTMENT WOULD APPRECIATE ANY
INFORMATION THE EMBASSY IS ABLE TO OBTAIN CONCERNING THE
ASEAN MISSION'S VISIT TO LA PAZ.
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